



---

## **A STUDY OF CASES SETTLEMENT BY SEBI**

---

**Miss. Pawar S. M.**

Research Student,  
Department of Economics  
Shivaji University, Kolhapur

---

### **INTRODUCTION:**

Capital market is a part and parcel of the economic growth, since it has providing 'capital' as a major component of economic growth. Capital market has a very special place in overall development process of the Indian financial system. In order to maintain smooth and harmonous development path for capital market, there is a need of strong and efficient regulatory framework or system; so as to interest of the investors can be protected. In India SEBI (Securities and Exchange Board of India) is playing this regulatory role since its establishment. In fact it is a primary vision of the SEBI. SEBI tries to create strong assurance and confidence among the investors against malpractices through various settlement mechanisms. Under this backdrop, it is necessary to study how effectively and efficiently this regulatory mechanism has been worked out by SEBI and at what extent it has succeeded in it. Thus in present research article attempt is made to examine the working of regulatory framework of SEBI over the period of last eleven years.

For this purpose, different data regarding various cases has been gathered through the official website of SEBI and various reports. The gathered data has been processed in Excel by using different statistical tools. And study comes to the conclusion that SEBI is playing very crucial role in cases settlement.

### **OBJECTIVES OF THE STUDY:**

The major objectives of the present study are as follow:

- 1) To review the role of SEBI in protection of the interest of the investors;
- 2) To examine the regulations of securities market by SEBI.

**RESEARCH METHODOLOGIES:**

The period of the study has been selected from 2001-02 to 2011-12. Eleven years study period is considered to know the tremendous changes, which have been done during these years in the cases settlement by SEBI. The following methodology procedure was adopted.

**SOURCES OF DATA AND DATA PROCESSING:**

The present study is mainly based on secondary sources of the data. The statistical data on relevant information have been collected from secondary source comprising of various reports of SEBI, Bulletin, Annual Reports of Securities and Exchange Board of India for the time period from 2001-02 to 2011-12, relevant websites, related books of Indian Financial System, periodicals and published research papers. Along with these sources, some reputed journals are also referred.

The collected data are classified and tabulated in the light of objectives of the present study. The collected data are processed by employing suitable statistical tools like percentage, compound growth rate. By using computer software Ms-excel is also employed.

**HYPOTHESIS OF THE STUDY:**

“SEBI has significant contribution in the regulation of securities market and protects the interest of investors.”

**ANALYSES AND INTERPRETATION:**

In this paper the analysis made on the cases settled by SEBI. Following is the exercise done by the observer on so many areas relating to SEBI since inception. I.e. are 1) Investigation 2) Enforcement of Regulations Prosecution, 3) Litigations, Appeals and Court Pronouncements 4) Investor Assistance and Education.

**INVESTIGATION:****Trends in Investigation Cases:**

Details of investigations taken up and completed year-wise during the period 2001-02 to 2011-12 are given below.

**Table No.1: Investigations By SEBI (Numbers)**

| Year    | Cases taken up for Investigation | Cases Completed |
|---------|----------------------------------|-----------------|
| 2001-02 | 111                              | 29              |
| 2002-03 | 125                              | 106             |
| 2003-04 | 121                              | 152             |
| 2004-05 | 130                              | 179             |
| 2005-06 | 159                              | 81              |
| 2006-07 | 120                              | 102             |
| 2007-08 | 25                               | 169             |
| 2008-09 | 76                               | 83              |
| 2009-10 | 71                               | 74              |
| 2010-11 | 104                              | 82              |
| 2011-12 | 154                              | 74              |
| Total   | 1,196                            | 1,131           |
| CGR     | -3.24                            | 0.63            |

**Source: Various Annual Reports of SEBI from 2001-02 to 2011-12**

Since 1992-93, SEBI has undertaken 1,196 investigation cases and 1,131 cases investigations have been completed. Apart from enforcement action, an important attendant benefit resulting from such investigations is the contribution to the policy changes with a view to further strengthen regulatory and enforcement environment. The Table No.1 reveals that, in the 2001-02 action taken for investigation was vary less. From the year 2002-03, SEBI shifted to speedy completion of the investigations in the subsequent years. The number of cases completed was at the peak during year 2004-05. Afterwards completion process was slow except the year 2007-08. It is observed that the Compound Growth Rates in case of number of cases completed is 0.63 percent which is more than the number of cases taken for investigation i.e.-3.24 percent.

**Nature of Investigation Taken Up and Cases Completed:**

Table No. 2 and 3 reveal the Nature of investigations taken up and investigations completed by SEBI during 2004-05 to 20011-12 which is *Miss. Pawar S. M.*

satisfactory on the aspects of market manipulation and price rigging and other issues like manipulation, takeovers, insider trading and other miscellaneous offences or frauds done by entities/promoters/brokers etc.. Now-a-days SEBI is responding very attentively to curb such type of corporate frauds or mistakes and is taking necessary actions immediately.

**Table No. 2: Nature of Investigation Cases Taken Up**

| Years   | Investigations cases Taken up         |                                      |                 |           |               |       |
|---------|---------------------------------------|--------------------------------------|-----------------|-----------|---------------|-------|
|         | Particulars                           |                                      |                 |           |               |       |
|         | Market Manipulation and price Rigging | Capital "Issue" related Manipulation | Insider Trading | Takeovers | Miscellaneous | Total |
| 2004-05 | 110                                   | 2                                    | 7               | 1         | 10            | 130   |
| 2005-06 | 137                                   | 3                                    | 6               | 4         | 15            | 165   |
| 2006-07 | 95                                    | 0                                    | 18              | 2         | 5             | 120   |
| 2007-08 | 12                                    | 0                                    | 7               | 2         | 4             | 25    |
| 2008-09 | 52                                    | 2                                    | 14              | 3         | 5             | 76    |
| 2009-10 | 44                                    | 2                                    | 10              | 2         | 13            | 71    |
| 2010-11 | 56                                    | 6                                    | 28              | 4         | 10            | 104   |
| 2011-12 | 73                                    | 35                                   | 24              | 2         | 20            | 154   |
| Total   | 579                                   | 50                                   | 114             | 20        | 82            | 845   |
| CGR     | 10.23                                 | 36.72                                | 19.92           | 6.46      | 7.28          | -     |

**Source: Various Annual Reports of SEBI from 2004-05 to 2011-12**

The above Table No. 2 shows that in the duration of eight years from 2004-05 to 2011-12 out of investigation cases taken up the number of market manipulation and price rigging cases was 579 very high. It is followed by the cases of insider trading i.e. 114. The number of investigation cases taken up was maximum in the year 2005-06. The growth rate of the capital "issue" related manipulation taken up was the highest i.e. the CGR of such cases was 36.72 percent. It is followed by the case insider and market manipulation & price rigging taken up i.e. 19.92 percent and 10.23 percent.

**Table No. 3: Nature Of Investigations Cases Completed By SEBI**

| Years   | Investigations Completed              |                                      |                 |           |               |       |
|---------|---------------------------------------|--------------------------------------|-----------------|-----------|---------------|-------|
|         | Particulars                           |                                      |                 |           |               |       |
|         | Market Manipulation and price Rigging | Capital "Issue" related Manipulation | Insider Trading | Takeovers | Miscellaneous | Total |
| 2004-05 | 148                                   | 2                                    | 10              | 2         | 17            | 179   |
| 2005-06 | 62                                    | 1                                    | 8               | 3         | 7             | 81    |
| 2006-07 | 77                                    | 4                                    | 10              | 3         | 8             | 102   |
| 2007-08 | 115                                   | 3                                    | 28              | 2         | 21            | 169   |
| 2008-09 | 62                                    | 1                                    | 12              | 1         | 7             | 83    |
| 2009-10 | 46                                    | 7                                    | 10              | 5         | 6             | 74    |
| 2010-11 | 51                                    | 2                                    | 15              | 4         | 10            | 82    |
| 2011-12 | 37                                    | 4                                    | 21              | 2         | 10            | 74    |
| Total   | 598                                   | 24                                   | 114             | 22        | 86            | 844   |
| CGR     | -14.18                                | 11.18                                | 9.32            | 2.75      | -4.53         |       |

**Source: Various Annual Report of SEBI from 2004-05 to 2011-12**

The Table No. 3 shows that the number of investigation cases completed of market manipulation & price rigging and insider trading were maximum, Respectively 598 and 114. The number of investigation cases completed was maximum during the 2004-05. The number of all type of cases taken for investigation was 845 and the number of investigation cases completed was 844. It means that all most all taken up cases for investigation were completed. The trend in the cases of market manipulation and price rigging was having declining trend over the period 2004-05 to 2011-12. The compound growth rate (CGR) of cases completed belonging to Market Manipulation and price rigging was -14.18 percent, Capital "Issue" related Manipulation stood at 11.18 percent; Insider Trading was 9.32 percent, Takeovers 2.75 percent and Miscellaneous - 4.53 percent. Of the total cases completed, 71 percent pertained to market manipulation and price rigging.

#### **REGULATORY ACTION:**

Table No. 4 indicates that actions taken by SEBI on many entities regarding cancellation, suspension, warning issued, prohibitive directions issued under 11B of SEBI Act, on investigations probe into possible or suspected or

**Miss. Pawar S. M.**

alleged infringements of security market regulations; such as, price manipulation, artificial volume creation, insider trading, violation of takeover code or any other regulations, public issue irregularities related.

**Table No. 4 : Type Of Regulatory Actions Taken By SEBI**

| Years   | Number of Entities |            |                |   |       |
|---------|--------------------|------------|----------------|---|-------|
|         | Particulars        |            |                |   |       |
|         | Cancellation       | Suspension | Warning issued | Prohibitive direction issued under section 11 of SEBI Act | Total |
| 2002-03 | 11                 | 42         | 62             | 140   | 255   |
| 2003-04 | 3                  | 43         | 22             | 106   | 174   |
| 2004-05 | 3                  | 42         | 53             | 134   | 232   |
| 2005-06 | 2                  | 36         | 71             | 632   | 741   |
| 2006-07 | -                  | 52         | 27             | 345   | 424   |
| 2007-08 | -                  | 44         | 48             | 537   | 629   |
| 2008-09 | -                  | 46         | 179            | 230   | 455   |
| 2009-10 | -                  | 48         | 37             | 691   | 776   |
| 2010-11 | 5                  | 36         | 17             | 268   | 326   |
| 2011-12 | 0                  | 16         | 33             | 487   | 536   |
| Total   | 24                 | 405        | 549            | 3570  | 4548  |

**Source: Various Annual Report of SEBI from 2002-03 to 2011-12**

The investigation into various malpractices, regulatory actions were taken against 174 entities in 2003-04 which was the lowest in the decade period considered for the study. This indicates decreased level of enforcement by SEBI. Similarly under SEBI Act, of 1992, prohibitory orders were issued against 106 entities in 2003-04 which were the lowest during the study period. Warnings to entities were the highest in 2008-09 whereas it was the lowest in 2010-11. In addition, a total of 405 intermediaries were suspended for varying periods during the year 2002-03 to 2011-12. Entities of 24 were Cancellation for varying periods during the year 2002-03 to 2011-12.

The study reveals that total actions taken by SEBI has been increasing, it shows that it is well, sound and regulating authority on behalf of Government of India for the development of capital markets in India. The total numbers of

Investigation of various malpractices and regulatory actions were taken against 4548 entities during the period of 2002-03 to 2011-12.

### ENFORCEMENT OF REGULATIONS:

Effective enforcement in the form of effective follow-ups and disciplinary actions makes a regulatory system effective.

#### Enforcement Mechanisms:

There are five enforcement mechanisms that SEBI uses in case of any violation(s) pertaining to the laws regulating the securities market. Age-wise analysis of enforcement action details viz. actions U/S 11, 11B and 11D of SEBI Act, enquiry proceedings, adjudication proceedings, prosecution proceedings and summary proceedings for the period of reference that is 2001-02 to 2011-12 are provided in Tables No. 5.

**Table No. 5 : Enforcement Mechanisms**

| Enforcement Mechanisms  | Number of actions initiated |                | Number of actions disposed |                | Pending cases |             |
|-------------------------|-----------------------------|----------------|----------------------------|----------------|---------------|-------------|
|                         | 2001-02                     | 2011-12        | 2001-02                    | 2011-12        | 2001-02       | 2011-12     |
| Enforcement Actions     | 441<br>(54.85)              | 348<br>(35.01) | 390<br>(88.43)             | 371<br>(33.85) | 0 (0)         | 338 (40.19) |
| Enquiry Proceeding      | 204<br>(25.37)              | 8<br>(0.80)    | 35<br>(7.94)               | 40<br>(3.65)   | 0 (0)         | 8 (0.95)    |
| Adjudication Proceeding | 64<br>(7.96)                | 609<br>(61.27) | 16<br>(3.63)               | 641<br>(58.49) | 1 (1.22)      | 466 (55.41) |
| Prosecution Proceeding  | 95<br>(11.82)               | 29<br>(2.92)   | 0 (0)                      | 42 (3.83)      | 81 (98.78)    | 29 (3.45)   |
| Summary Proceeding      | 0 (0)                       | 0 (0)          | 0 (0)                      | 2 (0.18)       | 0 (0)         | 0 (0)       |
| Total                   | 804<br>(100)                | 994<br>(100)   | 441<br>(100)               | 1096<br>(100)  | 82 (100)      | 841 (100)   |

**Source: Various Annual Report of SEBI from 2001-02 to 2011-12**

The above Table No. 5 shows that compared to 2001-02 the number of actions initiated, number of actions disposed and pending cases was high in 2011-12. Both in case of number of action initiated and number of action disposed, the maximum cases found under adjudication proceeding in the year 2011-12.

### PROSECUTION:

*Miss. Pawar S. M.*

**Number of Prosecutions Launched:**

Table No. 6 give details of the prosecutions launched during the period 2001-02 to 2011-12.

**Table No. 6 : Prosecutions Launched**

| Year         | No. of cases in which prosecution has been launched | No. of person/ entities against whom prosecution has been Launched | Total |
|--------------|---|--|-------|
| 2001-02      | 95 (15.65)  | 512 (84.35)  | 607   |
| 2002-03      | 229 (20.95)   | 864 (79.05)  | 1093  |
| 2003-04      | 480 (69.97)   | 2,06 (30.03)   | 686   |
| 2004-05      | 86 (16.60)  | 432 (83.40)  | 518   |
| 2005-06      | 30 (22.90)  | 101 (77.10)  | 131   |
| 2006-07      | 23 (13.14)  | 152 (86.86)  | 175   |
| 2007-08      | 40 (17.78)  | 185 (82.22)  | 225   |
| 2008-09      | 29 (20.28)  | 114 (79.72)  | 143   |
| 2009-10      | 30 (21.58)  | 109 (78.42)  | 139   |
| 2010-11      | 17 (20.24)  | 67 (79.76)   | 84    |
| 2011-12      | 29 (32.58)  | 60 (67.42)   | 89    |
| <b>Total</b> | 1175  | 5552   | 607   |
| <b>CGR</b>   | -21.44  | -20.27   | 1093  |

**Source: Various Annual Report of SEBI from 2001-02 to 2011-12**

Table No. 6 discloses that the total number of prosecutions launched till 31 March, 2011 was 1175 and the total number of persons or entities against whom prosecution was launched was 5552. From the above it is clearly revealed that as regulator of capital markets, SEBI has done a tremendous role for control of various manipulations occurred in our Indian securities markets from the last 20 years. The growth rate of number of cases in which prosecution has been launched is -21.44 and the growth of number of person/ entities against whom prosecution has been launched is -20.27 during the period 2001-02 to 2011-12 under considered.

**LITIGATIONS, APPEALS AND COURT PRONOUNCEMENTS:**

Table No. 7 present details with regard to cases lying before the Courts / Securities Appellate Tribunal (SAT).



**Table No. 7: Details Of Court Cases Where SEBI Was A Party**

|                                       | 2003-04     | 2011-12     |
|---------------------------------------|-------------|-------------|
| Cases Filed                           | 126 (27.10) | 149 (12.20) |
| Cases Pending                         | 303 (65.16) | 893 (73.14) |
| Cases Dismissed/<br>Allowed/Withdrawn | 36 (7.74)   | 179 (14.66) |
| Total                                 | 465 (100)   | 1221 (100)  |

**Source: Various Annual Report of SEBI from 2001-02 to 2011-12**

The research study present details with regard to cases lying before the Courts / Securities Appellate Tribunal (SAT) and also information on the nature of violations. Compare to 2003-04 there was a great enhancement in the year 2011-12 in the number of cases filed, cases dismissed/ allowed/ withdrawn and cases pending. The number of pending cases was very high constituting 65 and 73 percent in 2003-04 and 2011-12 respectively.

## **INVESTOR ASSISTANCE AND EDUCATION:**

### **Redressal of Investor Grievances:**

Table No. 8 provides details of the Status of Investor Grievances Received and Redressed during the period 2008-09 to 2011-12. The table gives details about both "Grievances Received" as well as "Grievances Redressed (Resolved)" and there by Pending Grievance during the period.

**Table No. 8: Status of Investor Grievances Received And Redressed**

| Financial year | Grievances Received | Grievances Redressed (Resolved) | Redressed Rate (%) |
|----------------|---------------------|---------------------------------|--------------------|
| 2001-02        | 27,11,482           | 25,72,129                       | 94.86              |
| 2002-03        | 27,48,916           | 26,11,101                       | 94.99              |
| 2003-04        | 27,85,660           | 26,32,632                       | 94.50              |
| 2004-05        | 28,40,095           | 26,85,993                       | 94.57              |
| 2005-06        | 28,80,580           | 27,23,060                       | 94.53              |
| 2007-08        | 29,35,513           | 27,54,736                       | 93.84              |
| 2008-09        | 26,74,570           | 25,03,560                       | 93.60              |
| 2009-10        | 27,06,895           | 25,46,302                       | 94.07              |
| 2010-11        | 27,63,565           | 26,12,854                       | 94.55              |
| 2011-12        | 28,10,113           | 26,66,695                       | 94.90              |
| Total          | 278,57,389          | 263,09,062                      | 94.44              |

**Source: Various Annual Report of SEBI from 2001-02 to 2011-12**

Complaints Redress System of SEBI provides details of the Status of Investor Grievances Received and Redressed. SEBI has undertaken 278,57,389 investor grievances received. 94.44 percent grievances redressed have been completed. The redressed rate to grievances received was fluctuating in the range of 93.60 percent to 94.99 percent during the period of 2001-02 to 2011-12.

### **FINDINGS:**

From the above analysis and interpretation as well as other observation details, the researcher finds out the following particulars about SEBI, and cases settlement by SEBI.

- In case of cases taken for investigation and cases completed the performance of SEBI is highly appreciable.

Since 1992-93, SEBI has undertaken 1,196 investigation cases. Out of which 1,131 (95%) cases investigations have been completed. It is observed that the Compound Growth Rates in case of number of cases completed is 0.63 percent which is more than the number of cases taken for investigation i.e.-3.24 percent.

- In the duration of eight years from 2004-05 to 2011-12 out of investigation cases taken up the number of market manipulation and price rigging cases was very high. The growth rate of the capital "issue" related manipulation was the highest.
- In case of the number of investigation cases completed, market manipulation & price rigging and insider trading were maximum, i.e. 71 percent of total.
- The study reveals that a total action taken by SEBI has been increasing. It proves that it is well, sound and regulating authority on behalf of Government of India for the development of capital markets in India. The total numbers of Investigation of various malpractices and regulatory actions were taken against 4548 entities during the period of 2002-03 to 2011-12.
- The number of action initiated, number of action disposed and pending cases the maximum cases found under adjudication proceeding in the year 2011-12.

- The total number of prosecutions launched till 31 March, 2011 was 1175 and the total number of persons or entities against whom prosecution was launched was 5552. The growth rate of number of cases in which prosecution has been launched is -21.44 and the growth of number of person/ entities against whom prosecution has been launched is -20.27 during the period 2001-02 to 2011-12 under considered.
- The number of pending cases was also very high constituting 65 and 73 percent in 2003-04 and 2011-12 respectively.
- Complaints Redress System of SEBI provides details of the Status of Investor Grievances Received and Redressed. SEBI has undertaken 278, 57,389 investor grievances received. 94.44 percent grievances redressed have been completed.

#### **CONCLUSION:**

The significant contribution of SEBI in the regulation of securities market and protection of the interest of the investors had been established with the cases of settlement by SEBI through investigation, enquiry, adjudication proceeding and enforcement of regulations prosecution which were highlighted in this paper. The researcher can state that the hypothesis that is "SEBI has significant contribution in the regulation of securities market and protects the interest of investors" is accepted with the help of statistical information given in the paper.

#### **REFERENCES:**

1. Annual Reports of Securities and exchange board of India from 2001-2012.
2. Shaik Abual Majeed Pasha, R. Vamsi Krishnna, V. Hemantha, Gopi Kiran, (March 2012), A Study on Role of SEBI in Capital Market: An Empirical Analysis, International Journal of Multi-disciplinary Research, Vol.2, Issue 3 (March 2012) ISSN 2231, 5780.
3. [www.sebi.gov.in](http://www.sebi.gov.in)
4. [www.zenithresearch.org.in](http://www.zenithresearch.org.in)